

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-06 ISO-00 IO-10 SP-02 AID-05 EB-07 NSC-05

CIEP-01 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 PA-01 PRS-01 ERDA-05 PM-03 DODE-00 EUR-12 /106 W
----- 020037

R 220919Z JUL 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 5697

INFO AMEMBASSY BANGKOK

AMEMBASSY VIENTIANE

C O N F I D E N T I A L MANILA 10021

E. O. 11652: ADS, DECLASS 7/22/76

TAGS: EAID, EFIN, LA

SUBJECT: ADB OPERATIONS IN LAOS -- NAM NGUM II COST OVERRUN

USADB

DEPT FOR NAC AGENCIES

BANGKOK FOR RED

REF: A) MANILA 9727; B) MANILA 9749

SUMMARY: ADB MANAGEMENT HAS CIRCULATED INFORMATION PAPER
TO BD. OF DIRECTORS DESCRIBING RECENT EVENTS IN LAOS
INCLUDING RESIGNATIONS OF VIENTIANE SIDE CABINET MINISTERS;
DEMONSTRATIONS DEMANDING OUSTER OF KEY CIVIL SERVANTS
FROM GOVERNMENT AGENCIES; SUBSEQUENT RESIGNATIONS OF KEY
STAFF FROM EXECUTING AGENCIES HANDLING BANK-ASSISTED
PROJECTS. BANK BELIEVES CONSEQUENT IMPACT ON GOVT.
AGENCIES, I.E., DELAYS IN REPLACEMENT OF SENIOR TECHNICAL
AND MANAGERIAL PERSONNEL AND CENTRALIZATION OF
DECISION-MAKING IN GOVT. ADVRSELY AFFECTING IMPL-
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MENTATION OF ADB PROJECTS. ALSO, ADB NOTES POSSIBLE

TERMINATION OF USG CONTRIBUTIONS TO FEOF WOULD HAVE SERIOUS ECONOMIC REPRECUSIONS. BD. DOC. ASSERTS PGNU OFFICIALS INCLUDING PRIME MINISTER AND STATE SECRETARY FOR FINANCE ASSURED BANK PGNU INTENDS CONTINUE WITH ALL ADB PROJECTS INCLUDING NAM NGUM II; UNDP-FINANCED TA FOR RECONSTRUCTION AND DEVELOPMENT PROGRAMMING. DOC. IMPLIES THAT BANK WILL CONTINUE WITH ALL PROJECTS, BUT EXPECTS ENCOUNTER DELAYS IN IMPLEMENTATION, EROSION IN ECONOMIC CONDITIONS. END SUMMARY.

1. ADB DOC. IN. 80-75 ADDRESSING SUBJECT BEING POUCHED; DOC. DISTRIBUTED FOR BD. INFORMATION ONLY.

2. BD. DOC. DESCRIBES ADB MISSION WHICH VISITED LAOS 22 TO 27 MAY AND MET WITH PRIME MINISTER, SENIOR COALITION GOVT. OFFICIALS; DONOR GOVT. AND AGENCY REPS AND NEW MANAGEMENT OF ELECTRICITE DU LAOS (EDL). FINDINGS OF MISSION, TOGETHER WITH LATER DEVELOPMENTS RE NAM NGUM II AND THE UNDP-FINANCED DEVELOPMENT PROGRAMMING TA ARE REPORTED IN DOC.

3. DOC. BEGINS WITH SUMMARY OF EVENTS FOLLOWING PEACE AGREEMENT SIGNING FEBRUARY 1973; PROCOL (VIENTIANE ACCORD) OF SEPT 1973; PGNU ESTABLISHMENT APRIL 1974; NOTES HIGH PRIORITY PLACED ON EARLY INTEGRATION OF TWO ZONES ADMINISTERED BY VIENTIANE AND PATHET LAO SIDES.

4. BD. DOC. DESCRIBES MAY 1975 RESIGNATIONS AND DEPARTURE FROM LAOS OF FOUR MINISTERS AND TWO SECRETARIES OF STATE DESCRIBED AS QUOTE REPRESENTING RIGHTIST WING OF THE VIENTIANE SIDE UNQUOTE. DO. ALSO MENTIONS SIMILAR DEPARTURE NUMBER OF ARMY GENERALS; DEMONSTRATIONS DEMANDING OUSTER OF KEY CIVIL SERVANTS FROM GOVT.AGENCIES FOLLOWED BY RESIGNATIONS OF LARGE NUMBERS OF OFFICIALS WITH BANK EXPECTATION THESE RESIGNATIONS CONTINUING.

5. BD. DOC. STATES GOVT. CONFIRMED TO ADB MISSION THAT PROVISIONS OF VIENTIANE ACCORD (PROTOCOL) WOULD BE ADHERED TO IN REPLACEMENT OF PGNU CABINET MINISTERS. CONFIDENTIAL

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PROMPT ACTION WOULD BE TAKEN TO REPLACE RESIGNED CIVIL SERVANTS, HOWEVER BANK BELIEVES DUE TO SHORTAGE QUALIFIED TECHNICAL AND MANAGERIAL STAFF, DELAYS IN IMPLEMENTATION BANK PROJECTS WILL OCCUR. DOC. ALSO NOTES DELAYING EFFECT OF MORE CENTRALIZED GOVT. DECISION-MAKING.

6. BD. DOC.FURTHER NOTES USG HAS IN PAST CONTRIBUTED ABOUT 50 PERCENT OF FEOF; THAT 1975 FEOF REQUESTED WAS

\$38.8 MILLION FROM AUSTRALIA, FRANCE, JAPAN, UK AND USG. NOTES VITAL ROLE OF FEOF IN FINANCING IMPORTATION ESSENTIAL COMMODITIES, GENERATION OF LOCAL CURRENCY COUNTERPART. DOC. ANTICIPATES TERMINATION OF USG CONTRIBUTION WOULD RESULT IN CRITICAL FOREX SHORTAGE, FURTHER PRICE INCREASES, ESSENTIAL COMMODITY SHORTAGES, KIP DEPRECIATION AND LARGE BUDGET DEFICIT. COMMENT: BD. DOC. DOES NOT REPEAT NOT ALLUDE TO RECENT PRESS DIPATCHES INDICATING USG DECISION TO MERELY INITIAL AGREEMENT AND LIMIT CONTRIBUTION TO \$5 MILLION ALREADY PAID IN. END COMMENT.

7. DOC. INDICATES PRIME MINISTER AND FINANCE STATE SECRETARY REASSURED ADB MISSION GOVT. INTENTION CONTINUE SUPPORT FOR AND PROCEED WITH IMPLEMENTATION ALL ONGOING ADB-FINANCED PROJECTS AND ADB-ADMINISTERED NAM NGUM II AND UNDP DEVELOPMENT PROGRAMMING TA.

8. DOC. NOTES PROTRACTED DISRUPTION OF EDL OVER PAST SEVERAL MONTHS, BUT INDICATES BANK MISSION QUOTE FAVORABLY IMPRESSED UNQUOTE NEW EDL MANAGEMENT AND BELIEVES REASONABLE PROSPECTS EXIST FOR IMPROVEMENT IN EDL OPERATIONS, NOTES NAM NGUM PROCEEDING SUBSTANTIALLY ON SCHEDULE, SUMMARIZES OUTCOME OF BID EVALUTATIONS AND CONSEQUENT MAGNITUDE OF COST OVERRUN AT \$10 MILLION; INDICATES RECEIPT PGNU REQUEST FOR BANK TO MOBILIZE SUPPLEMENTAL FUNDS THIS AMOUNT.

9. DOC. CONCLUDES WITH PGNU RECONFIRMATION INTENT PROCEED WITH UNDP-FINANCED DEVELOPMENT PROGRAMMING TA APPROVED BY BD. LAST MARCH 13. STATES THAT BANK HAS RECRUITED INTERNATIONAL DEVELOPMENT CENTER OF JAPAN (IDCJ) AS CONSULTANT AND IDCJ INTENTION FIELD MULTI-CONFIDENTIAL

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NATIONAL STAFF. HOWEVER, DOC. ALSO NOTES RESIGNATIONS OF KEY STAFF FROM COOPERATING AGENCY -- COMMISSIONER-GENERAL OF PLAN; WITHDRAWAL OF USAID-FURNISHED EXPATRIATE CONSULTANTS. THUS BANK ANTICIPATES DELAYS IN PREPARATION AND APPROVAL OF LAOS SECOND FIVE-YEAR PLAN, INCLUDING PROJECTS TO BE FORMULATED BY UNDP/ADB TA.

COMMENT: ALTHOUGH BD. DOC. DRAWS NO EXPLICIT CONCLUSIONS, DOC. IMPLIES BANK PLANS PROCEED WITH ALL ADB-FINANCED AND ADMINISTERED PROJECTS AS ORIGINALLY CONTEMPLATED, BUT WITH EXPECTATION DELAYS IN IMPLEMENTATION AND EROSION IN GENERAL ECONOMIC CONDITIONS WILL BE ENCOUNTERED. IT SHOULD BE NOTED BD. DOC. ADDRESSES IMPLEMENTATION EXISTING PROJECTS ONLY. NOTHING IN DOC. GIVES INDICATION OF BANK'S INTENTION VIS-A-VIS THREE PIPE-

LINE LOAN PROJECTS CURRENTLY LISTED IN BANK'S MONTHLY
OPERATIONAL INFORMATION (1. CASIER SUD PIONEER PROJECT;
2. DEVELOPMENT BANK OF LAOS INDUSTRIAL AND AG CREDIT;
3. CEMENT PLANT PROJECT). BANK OBVIOUSLY NOW MORE
CONCERNED WITH WATCHING CURRENT DEVELOPMENTS AND THEIR
IMPACT ON EXECUTING AGENCIES AND IMPLEMENTATION PROGRESS
OF ALREADY APPROVED PROJECTS. END COMMENT.
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Message Attributes

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Draft Date: 22 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
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Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
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Errors: N/A
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Handling Restrictions: n/a
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ISecure: 1
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TAGS: EAID, EFIN, LA, ADB
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